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Barnes, Julius Howland

The opportunity of business leadership

[S.l.]

[1923]

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Barnes, Julius Howland, 1873-

The opportunity of business leadership; an address by Julius H. Barnes ... delivered at a dinner on his fiftieth birthday anniversary, held by the St. Louis Chamber of commerce and the St. Louis Merchant's exchange, on Friday evening, February 2, 1923, at the Chase hotel, St. Louis.

[1923]

24 p. 15½ cm.

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TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 9:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 6/6/97 INITIALS: TLM

TRACKING # : 24246

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The Opportunity of Business Leadership

An Address
by

JULIUS H. BARNES

President, Chamber of Commerce
of the United States

delivered at a dinner on his fiftieth birthday anniversary, held by the St. Louis Chamber of Commerce and the St. Louis Merchant's Exchange, on Friday evening, February, 2 1923, at the Chase Hotel, St. Louis.

June 25, 1930 DA
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The Opportunity of Business Leadership

Mr. Toastmaster and my friends of St. Louis, my dear friends: I am overwhelmed. I have experienced before the cordiality and hospitality of St. Louis; I have been bound to St. Louis by ties that were very close and very strong, but I had not realized the wealth of your consideration and esteem until you expressed it here tonight. You have convinced me that the proper age for man is exactly fifty years,—when it is accompanied by such evidences of affection and regard as you have shown me here tonight.

I feel very sensitive and very proud about my war organization. With the records of constant changes in other war agencies, I hold fast with infinite pride to the fact that the seventeen men associated with me in that war service stayed without change through two years of war service and then, with only one change, through an additional year of peace time service, carrying out a war pledge of our government that must be discharged in

redemption of a national faith pledge to our producers.

In that work, sailing a sea that was uncharted by any previous course, trying to solve a problem which was world-wide in magnitude, with no available precedent to guide us, there were moments of very anxious thought and the usual doubt and misgivings which rest upon men trying conscientiously to discharge a great responsibility, one in which were wrapped up not only the comfort and convenience of our people at home and the welfare of our allies, but the actual maintenance of a fighting line.

In those conferences—and there were numerous conferences—with all my associates, we learned to rely upon the common sense and vision and persistent courage and faith of the two men from St. Louis who were associated with me and for whom I have a very deep and sincere regard,—your own fellow-citizens, Mr. Edward Flesh and Mr. Bert Lang.

If there were one source of supreme inspiration, one chief motive from which we drew the necessary persistency and endurance in those trying days, it was a real and vital faith and confidence that the American people, awakened to the necessity for sacrifice, would willingly and of their own volition readapt their habits,

customs, and their table so that we might supply that vital food in the form in which it could most readily be transported; and our faith proved justified in the end.

No man can carry the burdens of private life or public life unless he have behind him the inspiration of conviction and, if possible, a vision of necessary service.

So that in the new service which I have undertaken, the leadership of the American business organization, national in character and scope, I have really, without pretension, a sober and solemn conviction that it is necessary to arouse the American people to certain clear convictions of their own, in the maintenance of the atmosphere in which has been written a splendid national history, and which today is threatened by the injection of social panaceas from Europe, although recorded there, in their trial, with utter wreck.

I ask you to survey some of the course of reasoning by which I reach these conclusions, and I submit those conclusions and the reasoning on which they are based with all confidence that they will appeal to you as logical and sound and justifying the end which we seek.

Take the case of American agriculture. By what right have we lined the streets

of our western farm villages with automobiles? Growing grain for export, a thousand miles from a seaport, they sell their export produce in the markets of the world, entered with less expense of transportation, less expense of production, by the cheap labor country competitors of India, Russia and Argentina. The western grain fields of Missouri and Kansas and Nebraska and Colorado and Dakotas lie farther from deep water ports than any city in Europe until you penetrate the interior of Russia as far as Moscow. The competitive grain raising regions of Argentina are rarely in excess of a single hundred miles from a deep water port.

By what miracle have we been able to maintain the western farmer producing his product on the American scale of wages made by prosperous industry, and entitled himself to a living standard in accord with those of his fellows in business of similar responsibility? By what right and by what means have we succeeded in building the prosperity of this western country? By the exercise of the American qualities of adaptability, inventiveness and resourcefulness, in industry and in agriculture.

The increase of agricultural investment from 20 billions in 1900, to 78 billions in 1920 writes a splendid record of growth

in this industry. Who, I ask you, gained that increment except those who owned and operated the farms of this country? And that they were fully alive to the American genius of adaptation of science applied in the replacement of costly manual labor is shown by the presence of four billion dollars of farm implements on the farms of America to-day. You will check this yourself by your own knowledge of the recent introduction of separators and electric lights, of feed mills and gasoline power, of reapers and binders and threshers, until there has been a splendid record of adaptability to the mechanical progress of this age. This is typified in the economy and security of that industry by these brief facts:

If the corn crop of to-day were to be raised on the methods of 1856—before those special kinds of machinery especially adapted to replacing manual labor in the raising and garnering of corn were used—it would require, by accurate estimate (or so accurate that it shows the trend and tendency), at least one hundred and fifty million working days. Whereas, to-day, with these mechanical devices, the raising of a corn crop of the present size is estimated to consume forty-three million days, a vast economy in releasing manual labor to other industries producing other articles in human service.

This is more strikingly shown in the wheat crop. The first reaper was invented and used in 1830. If we go back to the methods employed in raising a wheat crop in the year 1830, and apply those in raising a wheat crop of the size of to-day's, it is a fair estimate that it would require the aggregate of one hundred and thirty million days' manual labor in raising a wheat crop. Instead of that, by modern science and invention applied through these devices, it is a fair estimate that to-day it takes but seven million days. Think of the enormous aggregate of human productive power released by that typical example on that product, and give due credit to the agricultural industry that has adapted itself to make use of these products of men's ingenuity.

You can check that in other ways: The single horse and single plow and single man used to plow a single acre in a single day. To-day, with the tractor, a single man can cover eight acres in a single day. That not only means an economy in preparation of the ground for a crop, but it means an enormous freedom of the farmer from dependence on weather conditions, which used to delay his work.

The old method of seeding corn by hand was evidenced as a fair day's work at two acres a day, for a single man. To-day,

the check rower covers eighteen to twenty acres, with a single man. These are typical examples of the process which is going on in eliminating the burden on manual labor and releasing that effort to the production of other articles which enormously expand our standard of living.

Now, if agriculture has done that thing, it has been helped to reach a profitable market by the similar resourcefulness displayed in transportation. In 1875, the average railroad car of this country, in service, was sixty-five per cent dead load and thirty-five per cent earning power. To-day, by the genius of a fellow citizen of your own, head of the Commonwealth Steel Company, there is a special car for coal and ore loading, which is eighty per cent earning load and twenty per cent of dead load.

It is right that we appreciate these things and recognize the atmosphere through which this initiative and invention is applied, and preserve it for the continuation of that kind of human service.

The cold figures of the gradual growth of the wealth of America have reached $300,000,000,000. after a short history of one hundred and fifty years. The nearest competitor in rating is the United Kingdom, with $105,000,000,000. of national

wealth, after one thousand years of national history; followed by Germany with $80,000,000,000, France at $70,000,000,000. and Italy at $32,000,000,000. That is a splendid example of human accomplishment, because wealth, after all, is but the result of human effort properly employed.

It is not enough to say that the United States has raised its annual income from twelve billion in 1900 to thirty billion dollars in 1920, unless we make those figures translate themselves into warmer human factors and see how they translate themselves into the individual American home and the individual American inspiration.

No country in the world has approached this national record of ours. It may be claimed that it is due to superiority of natural resources, or fortunate geographical location. That is but part of the story. Other countries have had those advantages. Russia itself is the outstanding example, writing forcibly a history for the students of political and social economy to study in future years. Russia's system justifies all the sturdy condemnation expressed three years ago by this citizen of your own town, rightfully visualizing its ultimate destructiveness even at that time.

Russia to-day has written its story of utter wreck. The figures were presented

at Genoa by the official representatives of Russia, pleading for international loans on a record of repudiation of international loans, and a repudiation of all the things upon which mankind has based its highest standards of good faith. Russia pleaded for help because these things were true. A great agricultural country, dependent upon the production of its farms, you would think it would concentrate its attention on its agricultural production. It showed that Russia—with vast forests and iron and coal and all the established industries which translate these natural resources into human service—had accomplished these figures in production: In agricultural implements, eleven per cent of the pre-war; in plows, six per cent of the pre-war; in iron, two per cent of the pre-war. Moreover, this country, with idle labor, vast stretches of natural forests, with railroads whose ties needed replacing, to-day is in such condition that forty new locomotives recently imported from Germany stand on a side track at Petrograd, because the railroads of Russia cannot maintain their weight.

Did you ever hear of such incompetency? And yet these men have seized the country of a great people and pretend to teach political economy to the rest of the world and to us. It would be laughable if it did not contain a certain menace;

it would be ridiculous if there were not theorists in high offices in the United States who hope to inject some of these theories into our political statutes through laws.

The Anglo-Saxon race will adapt itself to any form of government and make it work, because we have learned to discuss and confer and conciliate and concede and, when a decision is reached, to adhere to it, if we are in the minority. But these countries have not learned those lessons, so it is a fertile field for the preaching of these social theories, which mean the destruction of industry and the destruction of the individual happiness of their people.

It is a matter of national pride that through these past few years of easy financial theories abroad,—the embarkation upon reckless policies of international financing, the printing of inflated currency by countries who have neither the resources nor the intention to redeem that currency,—the United States held high, singly and alone for a time, the gold parity of its currency, recognizing that in the stability of those pledges stated in the denominational value of money—the stability of that money denomination maintained in relation to the physical properties of its people—was wrapped all the

security and hope of its people, and all the appeal to thrift and self-denial and saving which people find by recording in currency the product of labor.

Now, the printing of fifty thousand marks, seventy thousand Austrian crowns, and fifty thousand Russian rubles to the honest dollar are fantastic phases which will interest the student of the future as to what form of insanity people had embarked upon that brought them to such a pass. But behind those figures are the unrecorded figures of destroyed home life, despair, suffering and death of millions of people who saw all the savings of previous generations wiped out, by a policy of dishonest currency flotation. Yet there has been more than one attempt in the United States to make the first steps upon that road of inflation, and it is well that we watch this with vigilant care, realizing that in it is bound the individual impulse which can be so easily deflected and destroyed.

If we ask what mean these figures of three hundred billions of national wealth translated into individual human comfort, we have again a proper measure which, while it may not be exact, is exact enough to show us the trend and show us how to reach conclusions, so we may segregate those things which are false and mislead-

ing and hold fast to those things which are enduring and sound.

I think of no simpler scale than comparison of our census of 1920 to 1900: Our population increased forty per cent, our food production increased thirty-eight per cent, and the production of our mines increased one hundred and twenty-eight per cent, showing an increase of adequate production of coal and iron and metals and oil. Then we find that the output of manufactured articles in 1920 exceeded the output of 1900 by ninety-five per cent. Now, if we translate that into its application to human living in this country, we find this to be true:—that gradual scale of increase represents a block of production one thousand per cent for the twenty years in excess of the extended one hundred per cent level of 1900.

If we attempt to segregate and divide that excess production into those things which are currently consumed, such as food products and clothing, and leave a residue which means a permanent addition to household capital, the things we have to use and have to wear, we reach the reasonable conclusion that in 1920 the average home and the average individual had for his service three times the number of articles of common use that the man of 1900 had. You may check this by your own observation, if you think

back a little and remember how recently has been the introduction of those things which to-day we think of as common articles of the house, such as bathrooms, plumbing, automobiles, phonographs, and a thousand other things our fathers knew not of. All of this is the product of the industrial era which started since 1900.

Moreover, you will agree that such a marvel as the radio points with special emphasis the advance made in science and invention by mankind; also the great effectiveness in large-scale production, as typified by the automobile industry, a growth of the last twenty years. You will agree with me that the man of superior directing ability—the man of superior mentality—to-day, by utilizing these inventions of science, the telegraph and telephone, the automobile, and the fast train, and by time and labor-saving devices, and by the standardized products of chemical and engineering scientific exactness, can sit at a desk and direct ten factories, where his father could direct but one.

You will agree that the man of low mentality who, because of his undesirability worked formerly but half a year, and his idle time a burden to the community, to-day, in the processes of large-scale production—the assembly of special parts—doing a simple task, is earning the

wages of a skilled mechanic and is contributing something above that which he and his dependents consume.

Between those two grades, every grade of labor is to-day made more productive by the process of large industry served by science, and by the steady accumulation of wealth which presents more opportunity to earn, and more opportunity to save.

It is necessary to look at these things over a long range that we may visualize those influences which have produced this. We may inquire: Has this wealth been equitably distributed? Is it not true —I submit for your common-sense approval—that the very volume of factory production shows that wealth and buying power must be widely and equitably distributed or it could not be sold and distributed? If wealth and buying power were confined to the hands of a wealthy few, there would not be the demand for that volume of production. That is the best evidence that under the American industrial and social and political structure we have the widest form of distribution that the world has ever seen.

Now, gentlemen, if this is true, if we have built this splendid structure and built it with just rewards apportioned equitably, we have something very precious to preserve. We have a right to

see what has stimulated this leadership of the world until we have created a standard of living which is the envy and despair of the world.

This tendency in America to increase the national income is clearly shown when I tell you that the national income per capita is one hundred and sixteen per cent above that of 1900. You will get a picture of what I mean when I tell you that includes all dependents and is not applied to workers alone. While the United States has shown that increase, Great Britain has increased twenty-one per cent, Germany fifty-two per cent, France twenty-one per cent. They follow us, but at a constantly widening difference.

If we are to maintain the leadership of the world and use this wealth and income properly in creating a higher standard of living, which is, after all, translated into human comfort and human happiness, the right idea of social and industrial service, then we must vigilantly protect those policies and that atmosphere under which it has been created.

As I conceive it, the founders of this Republic had a great vision; they built in this country a new social and political philosophy, which has justified itself by every single year of development since.

Their great vision as to the atmosphere in which industry and commerce could produce was equalled by their political wisdom as to the political structure under which these things could be maintained. For instance, the form of government they established through the Constitution of the United States has worked out to be, in actual practice, a responsible party government.

I am making no political speech. I am talking of the fundamentals under which we can preserve human progress and human prosperity. There should be a continuity of government and a responsibility of that continuity fixed upon some definite objective. In Europe, these democracies, which do not have the Saxon genius for concession and conciliation, and loyal support of majority decisions, have established parliamentary ministers that change with the will of a parliament over night. What is the result? In the German parliament, there are eleven well-defined blocs of varying degrees of belief, politically and otherwise. No chancellor, no man, can continue in power except by combining several groups of these.

Under the menace of external aggression, a chancellor may be maintained in power, but when he confines administration to local national problems such as

taxation, to the questions of public services, state-owned or not, then these eleven groups fly into fragments, and chancellor after chancellor will fall without delay. How can a government maintain a continuity of policy under a menace of that which, at the best, means a concession in opinion and policy which may sacrifice a vital principle in necessary government?

Now, that is true of France, to less extent. It was true of Italy, and Italy had written three years of totally ineffective government until along came a strong man who said, "I will be the government. You do what I say!" That is the end, always, of that kind of bloc system; of chaos in government. There will arise some strong group or some strong man, who will direct the government, unless it develops perhaps as in the case of Austria.

Austria had the same record of two years of ineffective government; public services taken over by the State, overloaded with dependents, unwillingness to increase the necessary charges for railroad and other service, and the drain on the national revenues met by issuing more immoral currency, going deeper and deeper into the mire and appealing even for food, to the outside world. Have you

heard that appeal this year? No. Why? Because Austria in desperation appealed to the only international power which it knew, the League of Nations, to come and rescue it against itself. They presented a plan based on the requirement that the Austrian parliament should d e l e g a t e power to some responsible officers. After long debate in which the extreme socialists screamed about the violation of human rights, they carefully counted out six of their number on the final vote, so that there would be the necessary two-thirds to carry through the only course which even they saw would avoid utter ruin.

Now, since that day some months ago, the League of Nations has stabilized the Austrian krone. It was then, and still is, seventy thousand to the dollar, although the German mark has fallen from two or three thousand to the dollar to forty thousand. Austria is beginning to live; industry, which must buy one year and write its future contracts in a currency which has some measure of stability, has been able to reassume the responsibilities of industry and afford employment. Austria will fight its way back, finally, if it maintains that policy of self-respect, to a self-respecting and self-sustaining nation. No other course will lead her back.

What is the effect to-day of such a policy of currency inflation as Germany has

shown? Think of the effect upon the individual convictions of a people if, spread around them in millions of instances, are such things as this: Before the war a milling concern in Dusseldorf with which we did business built an office building at the expense of one million marks, and mortgaged it for five hundred thousand marks. Today that mortgage can be paid off for eleven or twelve dollars.

The two great steamship companies issued pre-war bonds; those mark bonds cost the equivalent of 32½ million dollars in gold. They could be paid off to-day for less than seven thousand dollars. Is that honest? I know in that course is written a ruin, an utter wreck of human impulse to save, to deny themselves, to create some value for protection of dependents recorded in money values. I leave it to you to estimate what the deadening impulse is on human thrift by such instances as that.

The outlook is not all one of discouragement. Those countries in Europe which adopted the sane policy which any honest individual would do—cutting down expenditures, utilizing their resources, refusing to issue dishonest paper pledges—those countries are working their way back slowly and surely to the gold parity. At one time the United States was the

only country in the world on the gold parity. To-day it has been joined by Sweden, Holland, Switzerland, Japan and Canada. When Great Britain, the financial mistress of the world—(for we must admit that we have not yet learned the trade of international banking)—gets back to gold parity, then, or soon, will commence the flow of gold metal and automatically will much of the present-day merchant hazard disappear, and there will then begin to be a healthier era in international trade.

It will appeal to you as perfectly sound reasoning that with three hundred million people in Europe, war swept, with all their financial and social structure disturbed by the wreck of war, with production decreased by both these causes, and, more than that, by destruction of much of the accumulated household and other capital,—that when these three hundred million people begin to earn again, and to buy, to fill this vacuum of human needs in Europe, then the factories of the world will start at full speed, even as America has been able to do on its revived home demand.

When that day comes, we in America will have learned that economy; we who by the absence of tradition and prejudice are remarkably receptive to new methods,

will hold the leadership in the trade of the world, as we are entitled to do, and as we have been able to do. But if we are to do that, if we are to preserve the progress we have made, and add to it, we must preserve to the individual the divine inspiration of the theory which has written this history. The social and political philosophy on which America was founded was that government was to preserve only fair play between individuals, that each individual should be permitted to write his own place in the social structure by his own character and his own willingness to effort.

So that in this day when legislatures and congresses convene and scores of bills are presented regulating the railroads, and this and that and the other thing, I want the business community to insist that there be recognized here a more precious heritage to preserve than anything the world has ever seen, because in the preservation of this field is wrapped the hopes of millions of our young people, who want the same opportunities, the same security of employment, and the same reward through the natural processes of trade and willingness to labor and invent, to strive and to save.

I suggest therefore that as reasonable men we have a right to test every proposed legislative and administrative act

and, without trying to reach all the details, apply one simple direct test to it. The conclusion will vary, (the frontier between government and industry will always be a shifting one), according to as we experience the need for the preservation of fair play against any group or interest.

But if you apply this question you will reach a pretty nearly sane conclusion: "Is this step or this administration, or this legislation, necessary in order to preserve the field of fair play and equal opportunity?" If it is not, then it has no place on the statute books or enforcement.

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